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March 2015: Market Review

Global equity markets were negative in March, as the dollar's strength weighed on U.S.-based multinational companies and the European Central Bank kicked off its unprecedented stimulus program. The Dow Jones Industrial Average fell (1.85%) during the month, but is in positive territory for the year, up 0.33%. The S&P 500 Index lost (1.58%) in March, although it has added 0.95% year-to-date. The NASDAQ Index, after moving above 5000 for the first time in nearly fifteen years early in March, closed the month down (1.26%), but is up 3.48% so far in 2015.

In U.S. economic news, the final reading of fourth quarter 2014 real gross domestic product showed annualized growth of 2.2%, down from the third quarter's strong 5% growth. Economists estimate that first quarter 2015 GDP may be weak due to a stronger dollar and lower consumer spending during the winter. The Federal Reserve dropped the word "patient" from its meeting statements, indicating higher interest rates could come as soon as June, assuming inflation nears its 2% target and employment continues to improve. The most recent S&P/Case-Shiller Home Price Index report showed that on a month-over-month basis, home prices rose 0.9% in January, while on a year-over-year basis, prices were 4.6% higher than a year ago. Sales of new homes rose to their highest level since early 2008 in February. Among commodities, barrels of WTI crude oil ended the month at $48, down from $50 in February, but up from a mid-month low of $43. Gold closed at $1183 per troy ounce, down from $1213 the previous month.

Growth-style equities outperformed value-style equities across all capitalizations in March. Among large cap stocks, the Russell 1000 Growth Index dipped (1.14%) during the month, but is up 3.84% in 2015, while the Russell 1000 Value Index was off (1.36%) and has fallen (0.72%) this year. In small cap stocks, the Russell 2000 Growth Index rose 1.80%, moving its year-to-date gain to 6.63%, while the Russell 2000 Value Index added 1.69% and has grown 1.98% this year. The Russell Midcap Index closed the month with a slight gain of 0.06%, lifting its year-to-date return to 3.95%. Smaller companies tend to be less affected by major currency moves as they have less international business.

International equity markets were mostly negative in March. The MSCI EAFE Index ended the month down (1.52%), lowering its year-to-date gain to 4.88% in U.S. dollars, although it is up 10.85% in local currencies. Despite the start of the European Central Bank's quantitative easing program in March, the MSCI Europe Index fell (2.66%) for the month, giving the index a return of 3.45% thus far in 2015. The MSCI Pacific Index added 0.51%, lifting the index's year-to-date performance to 7.61%. The MSCI Emerging Markets Index lost (1.42%) in March, but has added 2.24% for the year.

In U.S. fixed income markets, the yield on the 10-Year Treasury closed March at 1.93%, down from 2.00% at the end of February. The Barclays U.S. Aggregate Bond Index added 0.46% in March and is up 1.61% for the year. The Barclays U.S. Treasury Index was up 0.63% during the month and has added 1.64% year-to-date. The Barclays Treasury 20+ Year Index gained 1.20% and has added 4.19% in 2015. The Barclays Corporate High Yield Index closed the month down (0.55%), dropping its year-to-date gain to 2.52%.

Global equity markets have been volatile thus far in 2015. Investors are grappling with uncertainty on many fronts: the Federal Reserve and interest rate hikes, declining earnings estimates and oil prices, and the wide-ranging implications of a surging dollar. Until the market receives clarity on these topics, the dampened volatility of the last several years may be a thing of the past.